THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Service tax at the rate of 10% has been levied on that portion of the premium of life insurance polices which pertains to risk element, by the Finance Act, 2004 with effect from 10th September, 2004.

(b) In the case of composite policies (risk plus saving) life insurer can at his option pay 1% of the total premium towards discharge of service tax liability. This shall not be applicable in case an insurance policy is towards risk only or where the premium gives details of risk premium and other premium separately.

(c) No Sir. The Services Sector, which contributes to more than 50% of GDP, has not been contributing much towards the Government exchequer, thereby creating pressure on the manufacturing sector. Hence in terms of international practices and reports made by various expert committees, the service tax has to be levied in most comprehensive manner on the service sector also.

(d) Service Tax is levied at the rate of 10% and would not cause much hardship on anyone, moreover Service Tax is an indirect tax, and not a personal tax.

Gupta Committee Report on Capital Restructuring of SFCs

4218. SHRI R.S. GAVAI: Will the Minister of FINANCE be pleased to state:

(a) whether Government have any proposal to implement recommendations of Gupta Committee regarding capital restructuring of State Financial Corporations;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The Government of India does not have a direct stake holding in the State Financial Corporation (SFCs). The Central Government, therefore, would not be in a position to take up capital restructuring of SFCs.